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DEPT FOR EAP/MTS AND EB/IFD/ODF  
TREASURY FOR TFCA - BERG  
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SUBJECT: FORESTRY ISSUES DOMINATE VISIT OF OES A/S MCMURRAY TO  
INDONESIA

¶1. (U) Summary. In a visit to Indonesia July 26-29, OES A/S McMurray discussed deforestation and climate change with senior Government of Indonesia (GOI) officials from the Ministries of Forestry and Environment, non-governmental organizations, and a policy advisor to President Yudhoyono. The GOI welcomed engagement from the USG on illegal logging, and thanked us for our assistance in training enforcement officials. Lack of enforcement for proper land use policies is permitting encroachment on high-value conservation forest by logging companies and palm oil plantations. End Summary.

#### Forestry and Environment Ministry Meeting

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¶2. (U) On July 26, A/S McMurray noted to senior officials from the Ministry of Forestry (MOF) and Ministry of Environment (MOE) that the Climate Change and Forestry Conference in Sydney included discussion on the links between climate change and deforestation. All agreed that biofuel development as well as biodiversity conservation had to factor into that discussion. GOI officials stated that decentralization had in general encouraged local governments to be more responsible in forest management, but acknowledged that in some cases confusion over jurisdictional issues and a lack of capacity at the local level has hurt conservation. They emphasized the importance of engaging China on the illegal timber trade.

#### MOF Forestry Policy Priorities

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¶3. (U) Dr. Yetty Rusli, Head of the Forestry Planning Agency highlighted Indonesia's five forest policy priorities:  
-- combating illegal logging and trade;  
-- revitalizing the forest industry sector;  
-- conservation and rehabilitation of forests;  
-- stabilizing forest areas through sustainable forest management;  
and  
-- empowering communities in forest areas.

Dr. Rusli added that these priorities are consistent with efforts to tackle climate change, and that the role of Indonesia's forests should be given due importance leading up to the COP-13 conference.

## Illegal Logging and Wildlife Conservation

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14. (U) The MOF explained that they have made progress on combating illegal logging, citing MOUs with the U.S., U.K., Japan, and China. MOF officials admitted that there has been little progress in implementing the Indonesia-China MOU; the GOI expects talks to resume soon. MOF and MOE officials emphasized the importance of stricter standards and laws in intermediary and consumer countries for tackling trade in illegal timber. They welcomed any U.S. engagement with China in this context, as well as with Malaysia. Discussion is underway on legislation that would ban the import of illegal timber into the E.U., and work is continuing on a legality standard that can be included in bilateral or multilateral agreements on illegal logging.

15. (U) MOF officials explained it issued Government Regulation No. 6 this year (forest land use and forest management planning) to clarify misunderstandings among Indonesia's 450 districts about logging within forest concession areas. The regulation increased penalties for over-cutting and illegal logging within concession areas. Under the regulation, MOF established community forest plantations encompassing 5.4 million hectares and 360,000 households to provide alternatives to illegal logging. Dr. Hadi Daryanto, Secretary to the Director General of Forest Production Development,

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said that MOF is also developing an online system for timber tracking and administration. Japan is providing some assistance in this effort.

16. (U) A/S McMurray appreciated the various activities of the Association of Southeast Asian Nations Wildlife Enforcement Network (ASEAN-WEN), emphasizing continued U.S. commitment to wildlife conservation efforts. Dr. Tonny Soehartono, MOF Director of Biodiversity Conservation, thanked the US for its assistance in

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training and capacity building for Indonesian police, customs officials, judges, and forest rangers. Asked whether Indonesia would be interested in developing a regional mechanism similar to ASEAN-WEN for timber, Dr. Soehartono responded that the GOI would like to optimize existing cooperative arrangements such as Forest Law Enforcement and Governance (FLEG) and the International Tropical Timber Organization (ITTO).

## Legality Standards and International Cooperation

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17. (U) MOF officials explained that one of their key efforts is the development of a domestic timber legality standard. The MOF has cooperated with the Indonesian Ecolabeling Institution (LEI) to coordinate and organize a multi-stakeholder consultation on this new standard. USAID and the UK's Department for International Development supported this consultation process which also provided a set of guiding principles that determine legality. The MOF and its working group are examining the resulting draft internally and expect a decision before year's end. Implementation of the legality standard will require GOI capacity-building, especially for auditing institutions. The US Forest Service (USFS) will assist Indonesia in the legality standard implementation under the US-Indonesia Illegal Logging MOU.

18. (U) The EU and Indonesia held the second Forest, Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) on illegal logging and associated trade negotiation meeting in Brussels on July 11-13, 2007. The MOF reported that the issues discussed included assurances that VPA legality standards would be in line with prevailing Indonesia laws and that the Timber Legality Assurance System (TLAS) will be managed by an Indonesian Legality Entity using criteria of verification and monitoring agreed by both parties, as well as possible legislation to prohibit the import of illegal timber into the E.U.. (Note: The MOF wants one standard that would be accepted by importing countries, which currently use different standards. The U.K. has the strictest standard; the U.S. has no real equivalent in place but is developing legislation that

would require identifying the country of origin of forest products; and Japan is seeking a better verification system for the existing paperwork. The U.S. Forest Service plans to meet with the U.K.'s Department for International Development this fall to discuss closer collaboration.)

#### Haze Management

¶9. (U) A/S McMurray raised the importance of addressing peat and forest fires for reducing emissions. The MOF responded that it will rent helicopters and deploy fire brigades in affected provinces, particularly in West and Central Kalimantan and Riau in Sumatra (fire incidents have been decreasing in East Kalimantan). The MOF and local governments conduct fire monitoring in peat areas in West Kalimantan, while MOF has also developed a communications system between provincial centers and the MOF that allows for rapid response to reports of forest hotspots. At the national level, the MOF has the lead on an action plan for fire prevention for 35 key districts. The MOE is helping communities implement "zero-burning" land clearing practices through training on composting and the production of wood briquettes. MOE official Antung Ardiansyah added that Indonesia is active on the issue in the ASEAN disaster mitigation committee.

#### Biofuel Development

¶10. (U) The MOF acknowledged that oil palm expansion has raised environmental and social problems in some areas, but claimed that there is sufficient land currently designated as bare, degraded or non-productive that can be exploited for oil palm development without shrinking forest cover. The MOF has designated areas for plantation development, and claims that only 200,000 out of 5 million hectares designated in 2001 as production land in East Kalimantan has been developed so far. To minimize natural resources degradation, the MOF will, together with Ministry of Agriculture, conduct a case study and environmental impact analysis (EIA) before additional plantation development for biofuel takes place. (Note: This does not resolve the problem that many local officials are

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ignoring the central government's policy and sanctioning the clearing of high-value conservation forest for palm oil plantations.)

Due to previously scheduled travel, neither the Environment nor Forest Ministers were in the country during A/S McMurray's visit. The ministers organized a group of their senior officials to meet with her, including:

- Dr. Achmad F. Mas'ud, Head of Center for Forest Information, MOF.
- Dr. Tonny Soehartono, Director of Biodiversity Conservation, MOF.
- Dr. Harry Santoso, Director of Center for Plantation Forest Research and Development, MOF.
- Dr. Hadi Daryanto, Secretary to Director General of Forest Production Development, MOF.
- Pratikna, Deputy Director for Investment Promotion and International Trade Cooperation, MOF.
- Mr. Agus Purnomo, Special Assistant to the Minister for International Environmental Issues and Partnership, MOE.
- Mr. Antung Ardiansyah, Assistant Deputy for River and Lake Degradation Control, MOE.
- Dr. Yetty Rusli, Head of Forestry Planning Agency, MOF.

#### NGO Roundtable

¶11. (U) A/S McMurray participated in a roundtable discussion with environmental NGO leaders. McMurray noted that as the COP-13 conference in December draws closer, the U.S. will be looking more at what developed countries can do to conserve forests and avoid deforestation. McMurray added that the 2002 "State of the Forest" for Indonesia is discouraging in that little seems to have improved

in the past five years. The Nature Conservancy (TNC) representative concurred that there had been little overall improvement in the forestry sector, adding that logging and plantation companies are encroaching on national parks.

#### Wood Labeling and Certification

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¶12. (U) The Kehati (Biodiversity Foundation) representative said there are opportunities for dialogue with importing consumer countries in Europe and North America. Companies and countries importing wood for furniture, hardwood floors, and similar products should be informed about the need for certified wood from sustainable areas. This could help preserve high-value conservation forests. Some retailers are already active, with Home Depot and Armstrong cited as examples by the NGOs. The participants noted however that wholesalers are less keen to participate in any certification scheme. Other NGO representatives pointed out that consumer countries in Asia and the Middle East often do not care how suppliers source wood. The Ecolabeling Institute representative noted that after a 3-4 year process, there is now a legality standard in place for timber imports to the E.U. He hopes that China, the U.S., and other timber importing countries adopt this standard, as it would be arduous to negotiate separate trade standards for each importer.

#### Enforcement Issues

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¶13. (U) Several NGO participants noted that enforcement was difficult due to corruption, too few enforcers, and the tendency for smugglers to easily find alternative shipping routes. Police do not really know the difference between legally and illegally logged wood. Forestry regulations have a lot of loopholes. Enforcement officials tend to go after the easier targets, the small players rather than the big ones. Some illegal logging crackdowns have led to unemployment in sawmills and furniture companies, creating a backlash. One NGO noted that a potential solution is to create areas for sustainable community logging. This helps increase the price of wood to sustain livelihoods, while avoiding large, industrial-scale clear cutting operations. A representative from Conservation International suggested that joint international patrols and regional customs cooperation could help enforcement efforts.

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#### The Biofuels Problem

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¶14. (U) The roundtable participants stressed that the development of oil palm plantations for vegetable oil and biofuel is a huge threat to forests. Kalimantan and Sumatra are already heavily deforested. Papua has the most pristine remaining rainforest, but even there, plantation companies want to convert 100 million hectares for oil palm. While the central government's stated policy only allows oil palm plantations on degraded land, the participants all agreed that this was not the practice. Many local officials simply ignore the central government's policy. The biofuels drive and global demand for palm oil (used in over 1000 consumer products) will cause continued conversion of forests to plantations. Indonesia's biofuels policy is badly coordinated between local officials and four national ministries: agriculture, forestry, trade and energy.

#### NGO Roundtable Participants:

- The Nature Conservancy
- Conservation International
- Kehati (Biodiversity Foundation)
- Wildlife Conservation Society
- Orangutan Foundation International
- World Wildlife Fund
- Tropical Forest Foundation
- Ecolabeling Institute
- Telapak

Wehea Site Visit

15. On July 27-29, A/S McMurray visited Wehea, a 38,000 hectare former logging site in Kotai Timur district, East Kalimantan, that is now a protected forest and key orangutan habitat. Wehea is one of the USAID Orangutan Conservation Services Program (OCSF) sites and home to approximately 700 orangutans. OCSF team members explained that the key to protecting any species, including the orangutan, is to protect their habitat. They emphasized that loss of forest habitat through unsustainable and illegal logging and forest conversion represents the main threat to wild orangutan populations and the largest source of carbon emissions in Indonesia. They recommended that the international community offer economic incentives such as carbon funds as alternatives to investments such as oil palm plantations, which contribute to deforestation. In a meeting with the Wehea Management Council, local leaders also emphasized that protecting forest areas not only helps the environment and wildlife, it preserves the cultures of the communities that live in those forests. The Dayak indigenous tribal residents of Wehea welcomed McMurray's visit and gave her the Dayak name "Heling Lejie", or "a hopeful beginning".

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